

Date of Hearing: May 8, 2019

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Lorena Gonzalez, Chair

AB 1314 (Medina) – As Amended April 22, 2019

Policy Committee: Higher Education

Vote: 10 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill reforms the state's Cal Grant student financial aid program and creates the summer Cal Grant program. Specifically, it combines all of the Cal Grant subprograms and the Middle Class Scholarship program into one Cal Grant. It also removes grade point average (GPA) and time out of high school from the Cal Grant eligibility requirements and provides for the Cal Grant to cover a student's living costs in addition to the student's tuition costs. The bill is effective July 1, 2021, or on the date the California Student Aid Commission (CSAC) develops regulations for the program.

FISCAL EFFECT:

- 1) Ongoing General Fund costs of at least \$2 billion. This amount would provide Cal Grants to Californian students for summer college attendance, expand Cal Grant program eligibility to between 200,000 and 400,000 more students and provide grant aid for living costs. This estimate assumes a reasonable expected family contribution. It also assumes students continue to receive federal and institutional aid. The reform could be phased in over time as funds are available.
- 2) One-time General Fund costs to CSAC, likely in the \$1 million range, to develop regulations for the program, make IT updates for grant administration and communicate changes to individuals, high schools and colleges and universities.
- 3) Ongoing General Fund costs of about \$2 million for CSAC to add at least 15 permanent positions to administer the new program. Additional costs to the extent CSAC needs more office space to accommodate new staff. If the program was phased in over time, costs would be incremental.

This bill also is a budget request by the author.

COMMENTS:

- 1) **Cal Grant Program.** The Cal Grant program is the state's preeminent student financial aid program. The program has various eligibility rules and subprograms. Depending on a student's income status, GPA and time out of high school, a student could qualify for either the Cal Grant A, Cal Grant B or Cal Grant C. In situations where students may not qualify for Cal Grants, they may apply for a competitive Cal Grant award.

CSAC administers awards totaling over \$2 billion General Fund annually to students attending California Community Colleges (CCC), California State Universities (CSU), University of California (UC) and private postsecondary institutions. The Cal Grant typically covers tuition costs for four years of attendance and, in some cases, provides some funding for nontuition costs. In 2017-18 academic year, 379,500 students received Cal Grants. Because the amount of Cal Grant a student receives primarily is based on the costs of tuition, more Cal Grant funds go to students attending UC because tuition is the highest of the public segments. Based on revised 2017-18 academic year estimates, students attending the UC received a total of \$980 million, students attending CSU received \$758 million, students attending CCC received \$162 million and students attending private postsecondary institutions received \$273 million.

- 2) **Middle Class Scholarship.** The Legislature created the Middle Class Scholarship in the 2014-15 fiscal year. The CSAC administers the program, which provides a maximum of 40% coverage of tuition for students at UC and CSU. The program targets students who may not qualify for need-based aid under the Cal Grant program, but have household income and assets under a specified ceiling. In 2018-19, a student with a household income of up to \$114,000 qualified for the maximum award. Awards are graduated downward as household income increases, with the minimum award set at 10% of tuition. In the 2017-18 academic year, 51,293 students received a Middle Class Scholarship, totaling \$99.9 million statewide. Of these, 42,853 students attended CSU and 8,440 attended UC.
- 3) **Institutional Aid.** While this bill does not address institutional financial aid, (that is, the financial aid that institutions provide and administer to students), it is worth mentioning because of its interaction with the Cal Grant and Middle Class Scholarship program. At UC, the UC Grant provides tuition and nontuition coverage for students attending the UC who are determined to have need, after Cal Grants have been applied. At the CSU, the CSU State University Grant provides tuition coverage for students attending the CSU who are determined to have need but are not eligible for a Cal Grant. At CCC, the California College Promise Grant provides full fee coverage (the CCC's tuition equivalent) to all students attending the CCC determined to have need. (In addition, the CCC provides various other grants to students to who attend college full time.)

In total, the UC Grant provides over \$800 million annually, the CSU State University Grant provides over \$600 million annually and the California College Promise Grant provides over \$800 million annually.

- 4) **Federal Grant Aid.** The federal government provides Pell grants to students with financial need to attend college, as determined by their federal Free Application for Federal Student Aid (FAFSA) form. (Students are required to fill out a FAFSA or its equivalent as a requirement for most state and federal financial aid programs.) The Pell grant has a six-year limit, as long as students make satisfactory academic progress. The maximum annual Pell grant in 2018-19 academic year is \$6,095. In total, students in California receive about \$4 billion in Pell grants annually.
- 5) **Expected Family Contribution.** Federal law sets forth a formula that calculates an expected family contribution (EFC) based on the FAFSA. The EFC is how much the federal government expects a family to be able to pay for college each year. The EFC can be as low as zero—meaning the federal government expects the family to pay nothing. For dependent

students (generally those under age 24), the EFC consists of an expected parent contribution plus an expected student contribution (usually in the form of work income and loans). For independent students (generally those over age 24 or married), the EFC is based only on an expected student contribution.

- 6) **Governor's Financial Aid Budget Proposal.** The governor's 2019-20 budget proposal provides \$122 million in ongoing General Fund for the Cal Grant program to increase financial aid for living costs for students with children. In addition, the proposal increases funding for the competitive Cal Grant program by \$9.6 million.

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